ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
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BRENDA BURNS
COMMISSIONER

Arizona Corporation Commission
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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE COMMISSION'S GENERIC EVALUATION OF THE REGULATORY IMPACTS FROM THE USE OF NON-TRADITIONAL FINANCING ARRANGEMENTS BY WATER UTILITIES AND THEIR AFFILIATES.	Docket No. W-00000C-06-0149

RESIDENTIAL UTILITY CONSUMER OFFICE'S

COMMENTS

After the Commission's workshop on periodic generalized cost of equity information that was conducted on June 16, 2011, the Residential Utility Consumer Office provided the Commission with a copy of *The Value Line Investment Survey's* ("Value Line") April 22, 2011 quarterly update on the water utility industry. Attached for your information is a copy of Value Line's most recent quarterly update on the water utility industry dated October 21, 2011.

RESPECTFULLY SUBMITTED this 8th day of November, 2011

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 8th day
of November, 2011 with:

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Phoenix, Arizona 85007

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By Ernestine Gamble
Ernestine Gamble

VALUE LINE'S OCTOBER 21, 2011
QUARTERLY UPDATE

WATER UTILITY INDUSTRY

INDUSTRY TIMELINESS: 8 (of 98)

The Water Utility Industry looks to be back in vogue. Although the broader market averages have been extremely volatile, giving back significant ground since our July report, the stocks in this group have held up relatively well. Wall Street has, as is typical in times of economic uncertainty, poured money into these issues, opting for their perceived safety and steady dividends.

With the U.S. economy filled with uncertainty, the group is likely to remain in the upper echelon of *The Value Line Investment* community in terms of relative price performance for the coming six to 12 months. Indeed, fears of a new recession will probably continue to hang over the stock market, painting a favorable picture for water providers. There are a few stocks that are ranked favorably for Timeliness. That said, most of the issues in this space lose their allure looking further out. Growing earnings will be a tough task for just about all of the utilities in this group due to the rising costs of doing business associated with delivering water to the people. Although current dividend yields may pique the interest of those seeking to add an income producer to their fold, there are better options elsewhere.

Undeniable Demand

Without question, water is a necessity; so, too, is the need for water providers. The safe and timely delivery of water to millions of people every day is important. A growing population only creates a more favorable backdrop looking ahead.

But with great power comes great responsibility. Recognizing the importance and difficulties of maintaining water quality, the government holds utilities up to high standards. Aside from the EPA, operators have to answer to state regulatory boards, which are also responsible for, among other things, keeping the balance of power between providers and customers. They are asked to, among other things, review and rule on general rate case requests submitted by providers looking to recover costs incurred during distribution. Their decisions have become critical, as the costs of water production have swelled. Although they have long sided with consumers, regulators appear to have taken on a more business-friendly attitude of late.

Insatiable Burdens

But while providers are looking to build new pipelines in order to expand their footprints and their customer bases, they are also juggling maintaining aging infrastructures. Indeed, most systems are old and in need of significant repairs, if not complete overhauls. These costs have escalated into the hundreds of millions of dollars and are expected to remain on an upward trajectory. Although more favorable regulatory backing helps support some of the burden, the expenses related to doing business present a bit of a problem in terms of earnings growth rates looking ahead.

Tight Finances

Another thing that stands out when examining the companies in this space is their balance sheets. Most utilities are strapped for cash and are debt ridden. Outside financing has become commonplace for many, and that is not likely to change, given the dynamics of the industry. Even if it does, the lack of financial flexibility of most here precludes them from taking advantage of fragmentation within the sector and from throwing their hats in the acquisition ring.

Conclusion

Interest in the Water Utility Industry has definitely picked up in recent months and will likely continue to do so if signs of another recession do not relinquish. *American States Water* and *American Water Works* are both riding the wave of this intrigue, and are each now ranked 1 (Highest) for Timeliness.

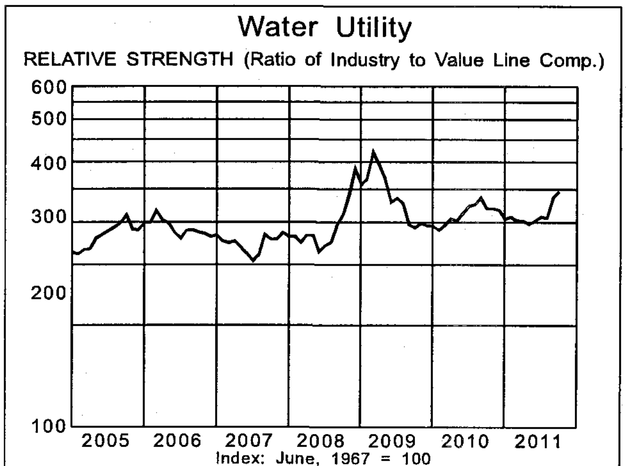
However, those looking to dip their toe in the Water Utility group, ought to note that relative price appreciation potential is not something this industry is known for. In fact, growth potential typically lags that of the average stock in our *Survey*, due to the capital-intensive nature of the field.

Dividend growth on the other hand has been synonymous with those operating here. That said, prospective investors should keep in mind the industry's capital restraints and potentially lower yields going further out. Either way, there are better streams of income to be had in the Electric Utility Industry. As always, we advise investors to take a more in-depth look at the stocks before making a commitment.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2007	2008	2009	2010	2011	2012		14-16
3777.9	4004.3	4228.9	4614.5	***4850***	***5150***	Revenues ($mill)	***6075***
d157.5	d369.0	d33.5	499.3	***575***	***625***	Net Profit ($mill)	***775***
NMF	NMF	NMF	40.0%	***39.0%***	***39.0%***	Income Tax Rate	***39.0%***
NMF	1.5%	1.1%	1.0%	***1.0%***	***2.0%***	AFUDC % to Net Profit	***7.0%***
50.9%	52.1%	55.1%	55.3%	***55.0%***	***53.0%***	Long-Term Debt Ratio	***52.0%***
49.1%	47.9%	44.9%	54.7%	***45.0%***	***47.0%***	Common Equity Ratio	***48.0%***
13134.6	12795.2	14011.9	14720.8	***15075***	***15400***	Total Capital ($mill)	***16450***
14542.8	15611.0	15910.8	17869.0	***18550***	***18950***	Net Plant ($mill)	***21700***
.4%	4.5%	4.4%	4.9%	***5.5%***	***6.0%***	Return on Total Cap'l	***8.0%***
NMF	6.1%	6.5%	7.7%	***8.5%***	***9.0%***	Return on Shr. Equity	***9.5%***
NMF	6.1%	6.5%	7.7%	***8.5%***	***9.0%***	Return on Com Equity	***9.5%***
NMF	3.0%	2.1%	3.1%	***3.5%***	***4.0%***	Retained to Com Eq	***4.5%***
NMF	51%	68%	60%	***56%***	***55%***	All Div'ds to Net Prof	***53%***
NMF	20.7	19.3	17.3	***Bold figures are Value Line estimates***		Avg Ann'l P/E Ratio	***21.0***
NMF	1.25	1.29	1.10			Relative P/E Ratio	***1.40***
2.3%	2.5%	3.5%	3.4%			Avg Ann'l Div'd Yield	***2.6%***



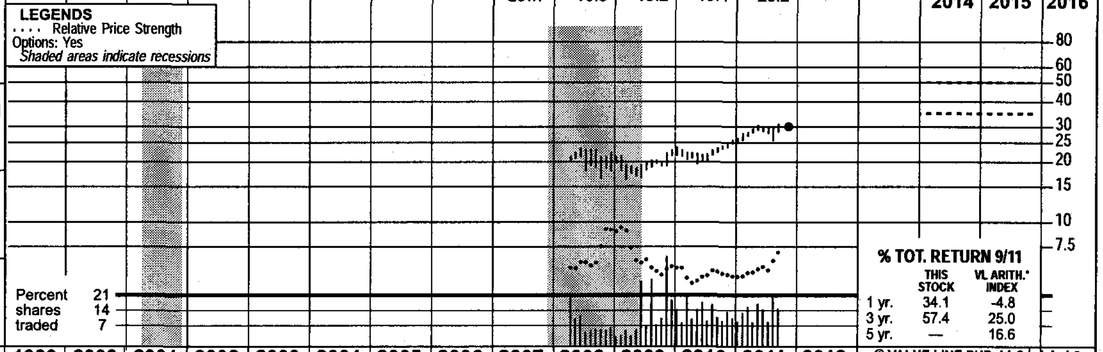
AMERICAN WATER NYSE-AWK

RECENT PRICE 30.08 | P/E RATIO 16.9 (Trailing: 18.3 Median: NMF) | RELATIVE P/E RATIO 1.23 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 1 Raised 10/7/11
SAFETY 3 New 7/25/08
TECHNICAL 3 Lowered 8/26/11
BETA .65 (1.00 = Market)

High:	23.7	23.0	25.8	31.0
Low:	16.5	16.2	19.4	25.2

Target Price Range
2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+65%)	16%
Low	35	(+15%)	7%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	0	1	1	0	0	0	0
to Sell	0	0	0	0	1	0	0	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	145	168	138
to Sell	119	117	145
Hld's(000)	145430	145932	145042

% TOT. RETURN 9/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	34.1	-4.8
3 yr.	57.4	25.0
5 yr.	—	16.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
--	--	--	--	--	--	--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	15.85	16.55	Revenues per sh	17.95
--	--	--	--	--	--	--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.70	3.90	"Cash Flow" per sh	4.20
--	--	--	--	--	--	--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.75	1.90	Earnings per sh A	2.25
--	--	--	--	--	--	--	--	--	--	--	--	--	.40	.82	.86	.91	.96	Div'd Decl'd per sh B■	1.10
--	--	--	--	--	--	--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	4.35	4.50	Cap'l Spending per sh	4.20
--	--	--	--	--	--	--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	24.50	24.05	Book Value per sh D	24.05
--	--	--	--	--	--	--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	178.00	181.00	Common Shs Outst'g C	190.00
--	--	--	--	--	--	--	--	--	--	--	--	--	18.9	15.6	14.6	*Bold figures are*		Avg Ann'l P/E Ratio	19.0
--	--	--	--	--	--	--	--	--	--	--	--	--	1.14	1.04	.94	*Value Line*		Relative P/E Ratio	1.25
--	--	--	--	--	--	--	--	--	--	--	--	--	1.9%	4.2%	3.8%	*estimates*		Avg Ann'l Div'd Yield	2.8%
						--	--	--	--	--	2093.1	2214.2	2336.9	2440.7	2710.7	2820	3000	Revenues ($mill)	3500
						--	--	--	--	--	d155.8	d342.3	187.2	209.9	267.8	310	340	Net Profit ($mill)	415
						--	--	--	--	--	--	--	37.4%	37.9%	40.4%	39.0%	38.5%	Income Tax Rate	38.0%
						--	--	--	--	--	--	--	--	12.5%	10.0%	10.0%	10.0%	AFUDC % to Net Profit	15.0%
						--	--	--	--	--	56.1%	50.9%	53.1%	56.9%	56.8%	56.5%	56.5%	Long-Term Debt Ratio	56.5%
						--	--	--	--	--	43.9%	49.1%	46.9%	43.1%	43.2%	43.5%	43.5%	Common Equity Ratio	43.5%
						--	--	--	--	--	8692.8	9245.7	8750.2	9289.0	9561.3	9800	10000	Total Capital ($mill)	10500
						--	--	--	--	--	8720.6	9318.0	9991.8	10524	11059	11450	11900	Net Plant ($mill)	13150
						--	--	--	--	--	NMF	NMF	3.7%	3.8%	4.4%	4.5%	5.0%	Return on Total Cap'l	5.5%
						--	--	--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.5%	8.0%	Return on Shr. Equity	9.0%
						--	--	--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.5%	8.0%	Return on Com Equity	9.0%
						--	--	--	--	--	NMF	NMF	3.0%	1.8%	2.8%	3.5%	4.0%	Retained to Com Eq	4.5%
						--	--	--	--	--	--	--	34%	65%	56%	52%	51%	All Div'ds to Net Prof	51%

CAPITAL STRUCTURE as of 6/30/11
Total Debt $5821.0 mill. **Due in 5 Yrs** $325.9 mill.
LT Debt $5362.6 mill. **LT Interest** $315.0 mill.
(Total interest coverage: 2.6x) (56% of Cap'l)

Leases, Uncapitalized: Annual rentals $25.7 mill.
Pension Assets-12/10 $861.0 mill
Oblig. $1285.5 mill.
Pfd Stock $27.8 mill. **Pfd Div'd** NMF

Common Stock 175,445,661 shs.
as of 7/28/11

MARKET CAP: $5.3 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	6/30/11
Cash Assets	22.3	13.1	13.5
Other	476.8	521.2	1479.7
Current Assets	499.1	534.3	1493.2
Accts Payable	138.6	199.2	159.0
Debt Due	173.6	44.8	458.4
Other	295.2	530.5	710.2
Current Liab.	607.4	774.5	1327.6
Fix. Chg. Cov.	210%	237%	250%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	--	--	3.5%
"Cash Flow"	--	--	5.0%
Earnings	--	--	9.5%
Dividends	--	--	8.0%
Book Value	--	--	Nil

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	506.8	589.4	672.2	568.5	2336.9
2009	550.2	612.7	680.0	597.8	2440.7
2010	588.1	671.2	786.9	664.5	2710.7
2011	610.9	674.2	810	724.9	2820
2012	645	730	865	760	3000

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.04	.28	.55	.23	1.10
2009	.19	.32	.52	.21	1.25
2010	.18	.42	.71	.23	1.53
2011	.24	.46	.78	.27	1.75
2012	.27	.50	.84	.29	1.90

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	--	--	--	--	--
2008	--	--	.20	.20	.40
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22	.23	.23		

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up over 89% of 2010 revenues. New Jersey is its biggest market accounting for over 19% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.5% in '10. BlackRock, Inc., owns 6.9% of the common stock outstanding. Off. & dir. own less than 1%. President & CEO; Jeffry Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

American Water Works looks a little different these days. In line with its aggressive M&A strategy, it recently increased its presence in Missouri and Ohio, while selling operations in Texas, Arizona, and New Mexico. Meanwhile, it has also announced that it will purchase seven water systems in New York.

But it's been business as usual for the water utility. The company posted 10% share-net growth in the second quarter, on a 6% top-line advance. (It should be noted that the latest batch of results accounts for the aforementioned alterations to the business model, but the prior year's figures do not because we do not restate past results.) An improved regulatory environment was largely responsible, as AWR received a rate case ruling generating another $10.7 million in annual revenues.

We have raised our earnings estimate for this year and next to account for ongoing momentum on the regulatory front. The company has since received another $4.8 million ruling, and has an additional $315 million or so in cases under review. Although we do not expect all of the money being sought to make its way to Americans' pockets, the recent success has us optimistic that more favorable rulings are in the works. As a result, we now look for 18% earnings growth in 2011.

The stock has held firm since our last report despite the broader marker selloff. AWK is benefiting not only from its strong recent showing, but also the perception that it is a safe haven during times of economic instability. The market has been extremely volatile, with wide swings from day to day, and fears of another recession have many on Wall Street looking to park their money until there are signs of stability. Given the murky economic outlook, we award this issue with our Highest (1) ranking for the coming six to 12 months.

The allure fades a bit looking further out, however. The costs of fixing and maintain aging water systems will remain on the rise, and will likely eat away at a healthy portion of the profits enjoyed from any regulatory benefits. Although the dividend is healthy, income-minded investors have better alternatives to choose from in the electric utility industry.

Andre J. Costanza *October 21, 2011*

(A) Diluted earnings. Excludes nonrecurring gains (losses): '08, ($4.62); '09, ($2.63). Discontinued operations: '06, (4¢); '11, 9¢. Next earnings report due early Nov. Quarterly earnings may not sum due to rounding.
(B) Dividends to be paid in February, May, August, and November. ■ Div. reinvestment available.
(C) In millions.
(D) Includes intangibles. In 2010: $1.251 billion, $7.15/share.

Company's Financial Strength	B
Stock's Price Stability	90
Price Growth Persistence	NMF
Earnings Predictability	15

AMER. STATES WATER NYSE-AWR

RECENT PRICE	34.49	P/E RATIO	16.0 (Trailing: 14.9 / Median: 22.0)	RELATIVE P/E RATIO	1.17	DIV'D YLD	3.2%	VALUE LINE

TIMELINESS 1 Raised 9/16/11

SAFETY 3 New 2/4/00

TECHNICAL 3 Lowered 10/21/11

BETA .75 (1.00 = Market)

High:	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4
Low:	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5

Target Price Range

2014	2015	2016

2014-16 PROJECTIONS

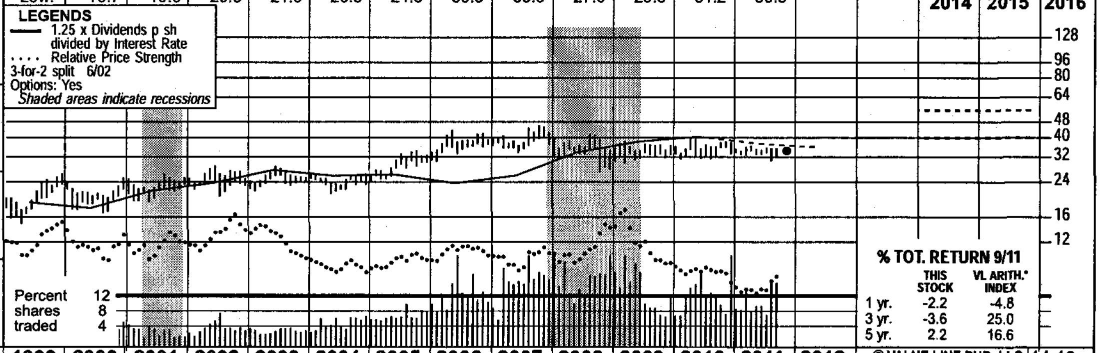
	Price	Gain	Ann'l Total Return
High	55	(+60%)	*15%*
Low	40	(+15%)	*7%*

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	1	0	0	0	0	0	0	0
to Sell	2	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	59	51	48
to Sell	51	48	55
Hld's(000)	11086	11214	11377



% TOT. RETURN 9/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-2.2	-4.8
3 yr.	-3.6	25.0
5 yr.	2.2	16.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	*22.10*	*22.85*	Revenues per sh	*26.25*
1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	*4.20*	*4.40*	"Cash Flow" per sh	*4.75*
1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	*2.10*	*2.20*	Earnings per sh A	*2.50*
.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	*1.10*	*1.16*	Div'd Decl'd per sh B■	*1.28*
2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	*4.00*	*4.15*	Cap'l Spending per sh	*4.75*
10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	*20.55*	*20.80*	Book Value per sh	*20.00*
11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	*19.00*	*19.25*	Common Shs Outst'g C	*20.00*
11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.01	*Value Line*		Relative P/E Ratio	*1.25*
6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*2.7%*

CAPITAL STRUCTURE as of 6/30/11
Total Debt $352.8 mill. **Due in 5 Yrs** $288.5 mill.
LT Debt $340.4 mill. **LT Interest** $27.6 mill.
(LT interest earned: 4.2x: total interest coverage: 4.0x) (46% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/10 $90.2 mill. **Oblig.** $118.8 mill.

Pfd Stock None.

Common Stock 18,684,812 shs. as of 8/5/11

MARKET CAP: $650 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	*420*	*440*	Revenues ($mill)	*525*
20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	*40.0*	*43.0*	Net Profit ($mill)	*50.0*
43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	*43.0%*	*42.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	12.2%	8.5%	6.9%	3.2%	5.8%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	*46.0%*	*46.5%*	Long-Term Debt Ratio	*47.0%*
44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	*54.0%*	*53.5%*	Common Equity Ratio	*53.0%*
447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	*690*	*705*	Total Capital ($mill)	*750*
539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	*890*	*930*	Net Plant ($mill)	*1060*
6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	*7.0%*	*7.5%*	Return on Total Cap'l	*8.0%*
10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	*10.5%*	*11.0%*	Return on Shr. Equity	*12.0%*
10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	*10.5%*	*10.0%*	Return on Com Equity	*12.0%*
3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	*5.0%*	*5.5%*	Retained to Com Eq	*6.0%*
65%	65%	113%	84%	67%	67%	58%	64%	61%	47%	*52%*	*52%*	All Div'ds to Net Prof	*51%*

CURRENT POSITION ($MILL.)	2009	2010	6/30/11
Cash Assets	1.7	4.2	11.3
Other	94.3	200.8	160.9
Current Assets	96.0	205.0	172.2
Accts Payable	33.9	36.2	58.0
Debt Due	18.1	61.4	12.4
Other	47.7	81.2	54.2
Current Liab.	99.7	178.8	124.6
Fix. Chg. Cov.	352%	441%	*400%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.0%	7.5%	*4.5%*
"Cash Flow"	5.5%	9.5%	*4.5%*
Earnings	4.5%	11.5%	*5.5%*
Dividends	2.0%	2.5%	*4.0%*
Book Value	5.0%	5.0%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	*118.9*	*97.0*	*420*
2012	*98.0*	*115*	*125*	*102*	*440*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.30	.53	.26	.43	1.55
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.71	2.25
2011	.37	.68	*.70*	*.35*	*2.10*
2012	*.42*	*.62*	*.76*	*.40*	*2.20*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/11 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water does not appear to be missing the Chaparral City Water Co so far. The water utility far surpassed expectations in the June period, the first quarter without this subsidiary in tow. Indeed, the water utility posted earnings of $0.68 a share, 45% better than the year before, on 14% revenue growth. The removal of the expenses associated with this business provided a boost, outweighing any revenue loss suffered in the sale. Rate increases, meanwhile, continue to play a role, as did business generated from the military ventures.

The nonregulated arm is becoming a bigger piece of the puzzle. Management has been aggressively targeting military bases of late, recognizing the benefits of making inroads in less sanctioned areas. This business is expected make more of a contribution when contract modifications are finalized. We would expect expansion here to be a catalyst.

But the company largely remains heavily regulated, and therefore lacks significant earnings potential in our opinion. Although the regulatory environment is improving, the guidelines set by those outside the company are stringent and capital-intensive. The costs of maintaining and distributing water is high, as old, dilapidated, systems, in some cases, require attention. The investments are costly, and will only continue to eat away at profit margins.

The stock is ranked 1 (Highest) for Timeliness. AWR will likely continue to do relatively well while the broader market remains in flux as we expect for the coming six to 12 months.

That said, it loses significant luster when we look further out and account for a better economic climate. The costs associated with doing business will probably always hang over the company, and while the income component is nice, there are more-appealing dividend-paying stocks out there. Clouding matters slightly more is American's balance sheet. Although a recent debt offering helped replenish the cash coffers a bit, additional financing activity will undoubtedly be needed looking ahead. As a result, we think that the current payout ratio may be scaled back somewhat in the years ahead.

Andre J. Costanza *October 21, 2011*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (44¢) '11, 20¢. Next earnings report due early November. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	60
Earnings Predictability	85

AQUA AMERICA NYSE-WTR

RECENT PRICE	21.30	P/E RATIO	20.1 (Trailing: 22.2 / Median: 25.0)	RELATIVE P/E RATIO	1.47	DIV'D YLD	3.1%	VALUE LINE

High:	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8
Low:	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	19.3

TIMELINESS 3 Lowered 1/21/11

SAFETY 3 Lowered 8/1/03

TECHNICAL 3 Raised 6/10/11

BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

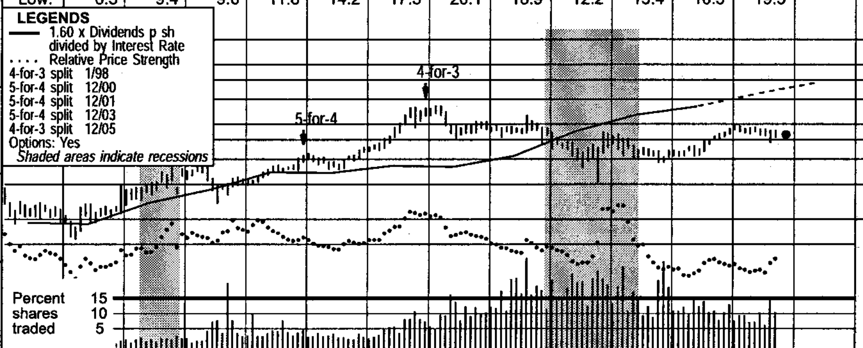
	Price	Gain	Ann'l Total Return
High	35	(+65%)	16%
Low	25	(+15%)	8%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	0	1	0	0	0	0
to Sell	1	1	0	0	1	0	0	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	101	81	106
to Sell	94	112	104
Hld's(000)	55463	55308	55457



Target Price Range

2014	2015	2016

64 48 40 32 24 20 16 12 8 6

% TOT. RETURN 9/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	8.7	-4.8
3 yr.	32.8	25.0
5 yr.	12.7	16.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	**5.55**	**5.85**	Revenues per sh	**6.80**
.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	**1.95**	**2.05**	"Cash Flow" per sh	**2.40**
.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	**1.05**	**1.10**	Earnings per sh A	**1.40**
.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	**.62**	**.66**	Div'd Decl'd per sh B■	**.78**
.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	**2.30**	**2.35**	Cap'l Spending per sh	**2.50**
2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	**8.95**	**9.40**	Book Value per sh	**11.05**
63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	**138.90**	**139.90**	Common Shs Outst'g C	**142.90**
12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	*Bold figures are*		Avg Ann'l P/E Ratio	**21.0**
.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.36	*Value Line*		Relative P/E Ratio	**1.40**
6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	*estimates*		Avg Ann'l Div'd Yield	**2.7%**

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	**765**	**810**	Revenues ($mill)	**960**
58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	**145**	**155**	Net Profit ($mill)	**200**
39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	**40.0%**	**40.0%**	Income Tax Rate	**40.0%**
--	--	--	--	--	--	--	--	2.9%	3.1%	**3.0%**	**3.0%**	AFUDC % to Net Profit	**2.0%**
52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	**54.0%**	**52.0%**	Long-Term Debt Ratio	**47.0%**
47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	**46.0%**	**48.0%**	Common Equity Ratio	**53.0%**
990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	**2715**	**2760**	Total Capital ($mill)	**2950**
1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	**3630**	**3795**	Net Plant ($mill)	**4320**
7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	**6.5%**	**7.0%**	Return on Total Cap'l	**8.0%**
12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	**11.5%**	**11.5%**	Return on Shr. Equity	**12.5%**
12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	**11.5%**	**11.5%**	Return on Com Equity	**12.5%**
5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	**5.0%**	**4.5%**	Retained to Com Eq	**5.5%**
59%	59%	59%	57%	56%	63%	67%	70%	72%	65%	**59%**	**60%**	All Div'ds to Net Prof	**56%**

CAPITAL STRUCTURE as of 6/30/11
Total Debt $1559.0 mill. **Due in 5 Yrs** $310 mill.
LT Debt $1468.5 mill. **LT Interest** $66.1 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (55% of Cap'l)

Pension Assets-12/10 $159.2 mill. **Oblig.** $234.9 mill.

Pfd Stock None

Common Stock 138,405,123 shares as of 7/22/11

MARKET CAP: $3.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	6/30/11
Cash Assets	21.9	5.9	6.9
Receivables	78.7	85.9	93.6
Inventory (AvgCst)	9.5	9.2	12.0
Other	11.5	44.4	65.5
Current Assets	121.6	145.4	178.0
Accts Payable	57.9	45.3	42.7
Debt Due	87.0	28.5	90.5
Other	56.1	149.9	173.7
Current Liab.	201.0	223.7	306.9
Fix. Chg. Cov.	346%	290%	340%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.0%	7.5%	6.5%
"Cash Flow"	8.5%	8.0%	8.0%
Earnings	6.5%	4.5%	10.5%
Dividends	7.5%	8.0%	5.5%
Book Value	9.0%	7.0%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.5	207.8	179.3	726.1
2011	171.3	188.2	**220**	**185.5**	**765**
2012	**180**	**200**	**230**	**200**	**810**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.11	.17	.26	.19	.73
2009	.14	.19	.25	.19	.77
2010	.16	.22	.32	.20	.90
2011	.19	.25	**.32**	**.29**	**1.05**
2012	**.20**	**.25**	**.37**	**.28**	**1.10**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155	.155	.155		

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.5%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America should end 2011 on a strong note. Favorable rate rulings, along with stronger-than-expected consumer demand, are slated to be the key drivers of top- and bottom-line growth.

The company entered into a joint venture with MLP Penn Virginia Resource Partners, to construct and operate a fresh water pipeline. The project will be supplying water to natural gas producers in the Lycoming County, PA, area of the Marcellus Shale. The joint venture has been named PVR Water Services, with a $12 million initial stake from each partner. Range Resources has been contracted as the first customer. The pipeline is anticipated to be operational by the beginning of 2012, though no solid end date has been given. We believe that this project is one of many steps the company is taking to establish itself as a major beneficiary of the Marcellus Shale project. As a result, there should be a significant boost to revenues and earnings as the company's customer base expands.

Rate rulings are still on the agenda. The company received several favorable rate rulings last year, and is currently planning on filing cases in seven more jurisdictions by the yearend. Given Aqua America's track record, these rulings will likely contribute to revenue and earnings from 2012 onward.

Aqua America is getting out of some markets. Management's plan to exit several difficult operating environments is progressing smoothly. To this end, it sold its Maine operations (consisting of 11 water systems) to Connecticut Water, for $53.5 million, in the second quarter. The company also announced another deal with American Water Works (it swapped its Missouri properties in the first quarter for American Water's Texas operations.) Also, Aqua America will be swapping its New York properties to American Water in exchange for the latter's Ohio facilities. Both deals are slated to expand its customer base in fast-growing sectors, while getting Aqua America out from its underperforming areas. The deals should be done by the end of this year or 2012's first quarter.

This equity has an above industry average yield, for income investors.

Sahana Zutshi *October 21, 2011*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due late October.

(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	100

CALIFORNIA WATER NYSE-CWT

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
17.84	15.9	(Trailing: 19.4) (Median: 22.0)	1.16	3.5%	VALUE LINE

TIMELINESS 3 Raised 7/22/11
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Lowered 10/7/11
BETA .70 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	15.7	14.3	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4
Low:	10.8	11.4	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7

2014-16 PROJECTIONS

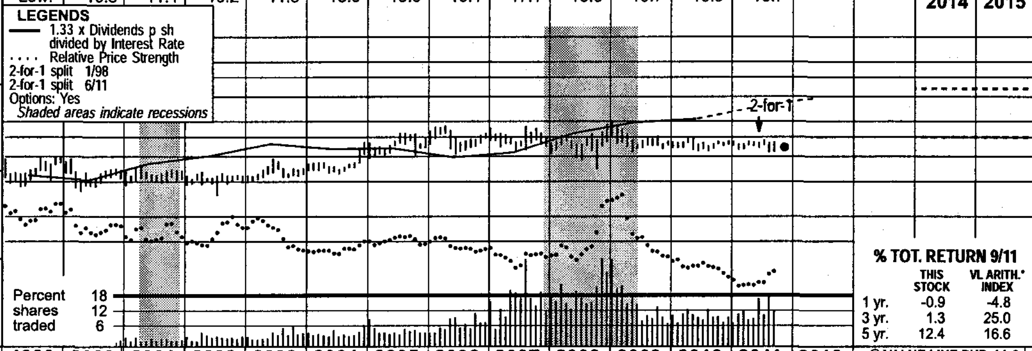
	Price	Gain	Ann'l Total Return
High	35	(+95%)	20%
Low	20	(+10%)	6%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	19	0	0	0	0
Options	1	0	0	0	0	0	0	0	0
to Sell	1	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	62	56	60
to Sell	48	49	48
Hld's(000)	20250	21158	21479



Target Price Range

2014	2015	2016

% TOT. RETURN 9/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-0.9	-4.8
3 yr.	1.3	25.0
5 yr.	12.4	16.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
6.58	7.24	7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	*11.80*	*12.05*	Revenues per sh	*14.00*
1.04	1.25	1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	*2.25*	*2.45*	"Cash Flow" per sh	*2.60*
.58	.75	.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	*1.10*	*1.20*	Earnings per sh A	*1.35*
.51	.52	.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	*.62*	*.64*	Div'd Decl'd per sh B ■	*.70*
1.09	1.41	1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	*2.50*	*2.75*	Cap'l Spending per sh	*3.15*
5.86	6.11	6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	*10.75*	*10.90*	Book Value per sh C	*11.95*
25.08	25.24	25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	*42.75*	*44.00*	Common Shs Outst'g D	*46.50*
13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	*Bold figures are*		Avg Ann'l P/E Ratio	*20.5*
.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.30	*Value Line*		Relative P/E Ratio	*1.35*
6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 6/30/11
Total Debt $513.1 mill. **Due in 5 Yrs** $51.7 mill.
LT Debt $478.0 mill. **LT Interest** $32.0 mill.
(LT interest earned: 3.6x; total int. cov.: 3.3x)
(52% of Cap'l)

Pension Assets-12/10 $139.0 mill.
Oblig. $269.9 mill.

Pfd Stock None

Common Stock 41,752,032 shs.

MARKET CAP: $750 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
246.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	*505*	*530*	Revenues ($mill) E	*650*
14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	*47.0*	*52.0*	Net Profit ($mill)	*63.0*
39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	*35.0%*	*36.5%*	Income Tax Rate	*39.0%*
--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	*10.0%*	*10.0%*	AFUDC % to Net Profit	*10.0%*
50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	*51.5%*	*51.0%*	Long-Term Debt Ratio	*51.0%*
48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	*48.5%*	*49.0%*	Common Equity Ratio	*49.0%*
402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	*945*	*980*	Total Capital ($mill)	*1125*
624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	*1350*	*1410*	Net Plant ($mill)	*1625*
5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	*6.5%*	*7.0%*	Return on Total Cap'l	*7.5%*
7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	*10.0%*	*10.5%*	Return on Shr. Equity	*11.0%*
7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	*10.0%*	*10.5%*	Return on Com Equity	*11.0%*
NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	*4.5%*	*5.0%*	Retained to Com Eq	*5.5%*
119%	90%	91%	77%	78%	86%	77%	61%	60%	66%	*55%*	*54%*	All Div'ds to Net Prof	*52%*

CURRENT POSITION ($MILL.)	2009	2010	6/30/11
Cash Assets	9.9	42.3	32.9
Other	82.3	83.9	98.7
Current Assets	92.2	126.2	131.6
Accts Payable	43.7	39.5	51.6
Debt Due	25.0	26.1	35.1
Other	41.7	41.7	44.9
Current Liab.	110.4	107.3	131.6
Fix. Chg. Cov.	430%	390%	*300%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	3.0%	4.5%	*5.0%*
"Cash Flow"	4.0%	6.5%	*5.5%*
Earnings	3.0%	6.5%	*6.0%*
Dividends	1.0%	1.0%	*3.0%*
Book Value	4.5%	5.5%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	72.9	105.6	131.7	100.1	410.3
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	*160.5*	*115*	*505*
2012	*103*	*135*	*170*	*122*	*530*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.01	.24	.53	.17	.95
2009	.06	.29	.47	.16	.98
2010	.05	.25	.49	.12	.91
2011	.05	.29	*.59*	*.17*	*1.10*
2012	*.07*	*.32*	*.62*	*.19*	*1.20*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.145	.145	.145	.145	.58
2008	.147	.147	.147	.147	.59
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154		

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 470,200 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '10: residential, 72%; business, 20%; public authorities, 4%; industrial, 4%. '10 reported depreciation rate: 2.3%. Has roughly 1,127 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

We look for California Water Service Group to gain further momentum in the second half of the year. Rate increases continued to flow in the second quarter, enabling the water provider to post better-than-expected results in the interim, suggesting that additional increases may be in the pipeline. As a result, we've raised our estimates for the back half of the year, and look for healthy top- and bottom-line growth.

There could be some more good news on the horizon, too. CWT recently filed its cost of capital application in an attempt to increase its return on equity a full percentage point, to 11.25%. The regulatory process is unpredictable, but the recent climate appears to have warmed for utilities, particularly in the Golden State. If a favorable decision is handed down by year-end, as expected, this would likely force us to bump up our current 2012 estimates.

Now may be a good time for many seeking to avoid getting caught up in the recent market volatility to consider initiating a position here. Water utility stocks are generally less susceptible to wild price swings than the broad market, and CWT is no different as seen by its relative stability since our July review. The current yield is another selling point.

But the stock loses some appeal, looking further out. CWT, and most utilities for that matter, typically trail the market averages when times are good, and we do expect the market to recover by 2014-2016. Meanwhile, the cost of running and maintaining a water utility services plant, and all the pipelines and wells that go with it, is a very expensive undertaking. Federal and state requirements are extremely stringent, and systems are growing older by the day. Many require significant upkeep and, in some cases, complete overhauls. These costs are not likely to subside anytime soon, creating some problems for CWT on the cost side of ledger. Indeed, these expenses, along with any necessary capital requirements, will likely temper earnings advances out to mid-decade and thereafter. While the dividend is certainly a plus, CWT still lacks relative total-return potential, and there are better income vehicles on the market, especially in the Electric Utility industry.

Andre J. Costanza *October 21, 2011*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢. Next earnings report due late Oct.
(B) Dividends historically paid in early Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '10: $2.2 mill., $0.05/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	85

SJW CORP. NYSE-SJW

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
23.38	22.9 (Trailing: 26.9; Median: 22.0)	1.67	3.0%	

TIMELINESS 3 Raised 8/12/11

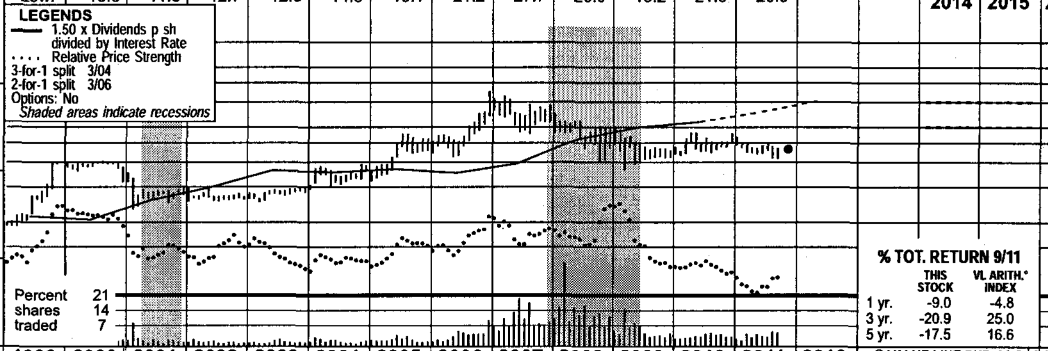
SAFETY 3 New 4/22/11

TECHNICAL 3 Lowered 9/30/11

BETA .90 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	20.3	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8
Low:	15.8	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+70%)	17%
Low	30	(+30%)	9%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	1	0	0	1	0	1	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	34	26	31
to Sell	26	34	28
Hld's(000)	8640	8648	8839

% TOT. RETURN 9/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-9.0	-4.8
3 yr.	-20.9	25.0
5 yr.	-17.5	16.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.99	5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	*12.65*	*12.50*	Revenues per sh	*13.35*
.98	1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.37	*2.60*	*2.70*	"Cash Flow" per sh	*3.00*
.59	.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	*1.00*	*1.10*	Earnings per sh A	*1.40*
.35	.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	*.69*	*.74*	Div'd Decl'd per sh B■	*.82*
.96	1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	*3.80*	*3.75*	Cap'l Spending per sh	*4.45*
5.58	6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	*13.70*	*14.25*	Book Value per sh	*16.20*
19.50	19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	*18.60*	*20.00*	Common Shs Outst'g C	*22.50*
9.9	6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.5	*Bold figures are*		Avg Ann'l P/E Ratio	*25.0*
.66	.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.89	*Value Line*		Relative P/E Ratio	*1.65*
6.0%	5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*2.5%*

CAPITAL STRUCTURE as of 6/30/11
Total Debt $352.7 mill. Due in 5 Yrs $64.3 mill.
LT Debt $344.8 mill. LT Interest $17.0 mill.
(LT interest earned: 3.2x: total interest coverage: 3.0x) (57% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.2 mill.

Pension Assets-12/10 $10.8 mill. Oblig. $58.8 mill.

Pfd Stock None.

Common Stock 18,577,630 shs. as of 7/21/11

MARKET CAP: $425 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	*235*	*250*	Revenues ($mill)	*300*
14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.6	*18.5*	*22.0*	Net Profit ($mill)	*30.0*
34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	39.7%	*40.0%*	*40.0%*	Income Tax Rate	*39.0%*
4.4%	4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	3.6%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
42.4%	41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	*57.5%*	*55.0%*	Long-Term Debt Ratio	*48.5%*
57.6%	58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	*42.5%*	*45.0%*	Common Equity Ratio	*51.5%*
259.4	263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	*600*	*635*	Total Capital ($mill)	*755*
367.8	390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	*815*	*860*	Net Plant ($mill)	*1000*
6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.2%	*4.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	*7.5%*	*7.5%*	Return on Shr. Equity	*8.0%*
9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	*7.5%*	*7.5%*	Return on Com Equity	*8.0%*
4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	*2.0%*	*2.5%*	Retained to Com Eq	*3.0%*
56%	59%	53%	58%	47%	46%	57%	59%	80%	81%	*69%*	*67%*	All Div'ds to Net Prof	*62%*

CURRENT POSITION ($MILL.)	2009	2010	6/30/11
Cash Assets	1.4	1.7	45.4
Other	26.6	36.3	38.4
Current Assets	28.0	38.0	83.8
Accts Payable	6.6	5.5	9.8
Debt Due	6.9	5.1	7.9
Other	18.5	18.6	21.7
Current Liab.	32.0	29.2	39.4
Fix. Chg. Cov.	352%	400%	250%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	6.5%	5.5%	*2.0%*
"Cash Flow"	6.0%	3.5%	*4.0%*
Earnings	2.0%	-1.5%	*7.5%*
Dividends	5.0%	5.5%	*3.5%*
Book Value	6.0%	6.5%	*2.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	41.3	60.0	69.5	49.5	220.3
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	*77.3*	*55.0*	*235*
2012	*47.0*	*63.0*	*82.0*	*58.0*	*250*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.15	.34	.44	.15	1.08
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.03	.29	*.54*	*.14*	*1.00*
2012	*.05*	*.32*	*.57*	*.16*	*1.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.15	.15	.15	.15	.60
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173		

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. *Has 375 employees. Chairman:* Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

Rate increases are really helping SJW Corp . . . Indeed, the water utility got earnings growth back on track in the second quarter, thanks largely to a double-digit top-line gain.

. . . and are likely to continue making a splash going forward, too. We've increased our second-half and 2012 estimates to account for the added benefits of recent regulatory help. Our estimates may well prove light if favorable rulings, which we are not anticipating at this time, continue rolling in.

However, operating costs are also likely to continue to mount. Water distribution is held to many rigorous state and federal standards. Meanwhile, the majority of pipelines and wastewater systems are old and require serious attention. As a result, operating costs are expected to remain on an upward trajectory, thus limiting any of the aforementioned rate case improvements. SJW, in the meantime, is not exactly flush with cash, despite a recent debt offering. We suspect that similar share and/or debt offerings will be required in order to foot the bill, thereby further diluting future gains.

The stock has been doing relatively well lately. It has held its ground for the most part since our July review, despite the volatility that has wreaked havoc on many outside the water utility industry.

But it still does not stand out in any capacity in our opinion. Although the water utility space is appealing at this time, investors have better growth and income-producing vehicles to choose from. It is an average selection in both regards, and also lacks 3- to 5-year appreciation potential, due to the capital constraints that it is under and the costs of doing business that are likely to continue to swell. Financial limitations are also precluding the company from going out and making a splash in the acquisition market. The industry is highly fragmented, and there exists great opportunity to further build out the business model via expansion into new territories. A highly leveraged balance sheet and a dearth of cash on hand, however, make such an undertaking highly unlikely, and, worse yet, raise some concerns over the sustainability of the dividend if something doesn't give.

Andre J. Costanza *October 21, 2011*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due late Oct. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions.

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	75
Earnings Predictability	85